

Transcript of Opening Statement of Chairman Kent Conrad
Hearing on the Budget and Economic Outlook: An Update
September 4, 2001

Welcome Director Crippen. It is good to see you. We are especially happy to have you here today to provide us with CBO's updated budget and economic outlook. In January, when we last met on this subject, you were unable to appear because of an accident and an injury. So we're especially delighted that you are able to be with us today and very much on the mend. We're glad to see that. Thank you for coming today and thank you for all the work that's gone into these revised estimates.

It is particularly a shame that you were unable to be with us in January because then the news was so much better. In January, CBO was able to project that the unified surplus would total \$5.6 trillion over the next decade. It also projected that there would be a non-Social Security surplus of \$125 billion in 2001 and that that surplus would grow every year through 2011.

Now, CBO is reporting that the unified surplus projected for the next 10 years has shrunk by more than \$2.2 trillion – to \$3.4 trillion. And that instead of a \$125 billion non-Social Security surplus this year we will have a \$9 billion deficit.

But as disturbing as the deterioration of the surplus for this year is, what is most troubling is that CBO projects we will have only a small non-Social Security surplus in 2002 and that part of the Social Security surplus will once again be needed to pay for other government operations in 2003 and 2004 *despite* the fact that CBO anticipates the economy will grow at a very healthy rate over the next three years – 2.6 percent in 2002, 3.3 percent in 2003, and 3.2 percent in 2004.

The CBO projection that we will run non-Social Security deficits in 2003 and 2004 -- and that \$139 billion of the Medicare HI Trust Fund surpluses will have to be used to pay for other government activities over the next four years -- are also particularly disturbing because they are based on current policy. That is, they do not assume any additional funding for defense that the President has requested, any additional spending for education when the President has indicated that is his top priority, any Medicare prescription drug benefit, any changes in the inadequate assistance the Freedom to Farm Act is providing to our hard-pressed farmers, it does not provide for an extension of the popular expiring tax provisions, or any other changes in policy that the President's Mid-Session budget included or that were included in the Republican-drafted budget resolution.

So, what CBO is telling us is that we are now in a situation in which – after the President and virtually every Member of Congress have pledged to protect Social Security and use the Social Security surplus to pay down the national debt – we are poised instead to use the Social Security surplus to pay for the other activities of government in years in which the economy is growing even if we do not add a penny of new spending or enact any new tax cuts.

And, based on CBO's projections, if we did enact the President's increase in defense spending and the policies included in the budget resolution, we would need to use more than \$200 billion of the

Social Security trust funds, and nearly \$300 billion of Medicare trust funds, to balance the books over the next eight years. So, nearly \$500 billion of trust fund money that the budget resolution pledged to protect would be used to cover the shortfalls in the budget.

What happened to the surplus? That's going to be a big part of your testimony here today. How did we get into this situation? CBO's report makes it clear that the main reason for the precipitous decline in the projected surplus is the President's tax cut. Including associated interest costs, that tax cut accounts for nearly \$1.7 trillion, or more than 74 percent, of the decline in the projected unified surplus over the next decade. Changes in the economic outlook and changes in technical factors that affect the budget account for an additional \$461 billion, or roughly 21 percent, of the change. And despite the statements of some in the Administration and even our colleagues that increases in spending account for the problem – in fact, changes in spending account for just 5 percent of the reduction in the surplus. And most of that increase – \$95 billion – is from the supplemental appropriations bill the President said was absolutely essential. The President also supported the \$18 billion increase in domestic spending, for disaster assistance to farmers and other purposes. So all of the spending that has occurred has been endorsed by the President.

CBO's new figures confirm what many of us have been saying for months: that the President's budget simply did not add up. They confirm that the President's claim that we could have it all – that we could have a massive tax cut, a big-defense buildup, more money for education, maximum pay down of the debt and protect Social Security and Medicare were simply wrong. Those promises were too good to be true.

So where do we go from here? Of course, one thing that CBO's figures don't tell us is how do we repair the damage, and that's not your job. That's our job and the President's job. How do we put our fiscal house back in order?

But I do hope that CBO's figures will help us take the first and most important step which is helping the President understand there is a problem. We stand ready to work with the President to implement a rescue plan to put us back on the right path. But that process cannot occur until he acknowledges we have a problem, and that he acknowledges the dimensions of the problem that we confront.

I can't help but think about the "stages of grief" model Elisabeth Kubler-Ross described in her book, "On Death and Dying." She said that a dying person goes through five stages: denial, anger, bargaining, depression, and acceptance. I think that the President's budget plan is dying. We need to move on, but we can't until the President reaches the stage of acceptance. The first step is to move beyond denial. I hope he skips anger and depression, and I think in this case, bargaining can't occur until there is acceptance. But the important thing right now is for the President to get beyond denial. I think paying attention to the new CBO report could help him take that step.

With that I turn to my very able colleague, Senator from New Mexico, our former distinguished Chairman, Senator Domenici.